



Seasonal Residents and Economic Development

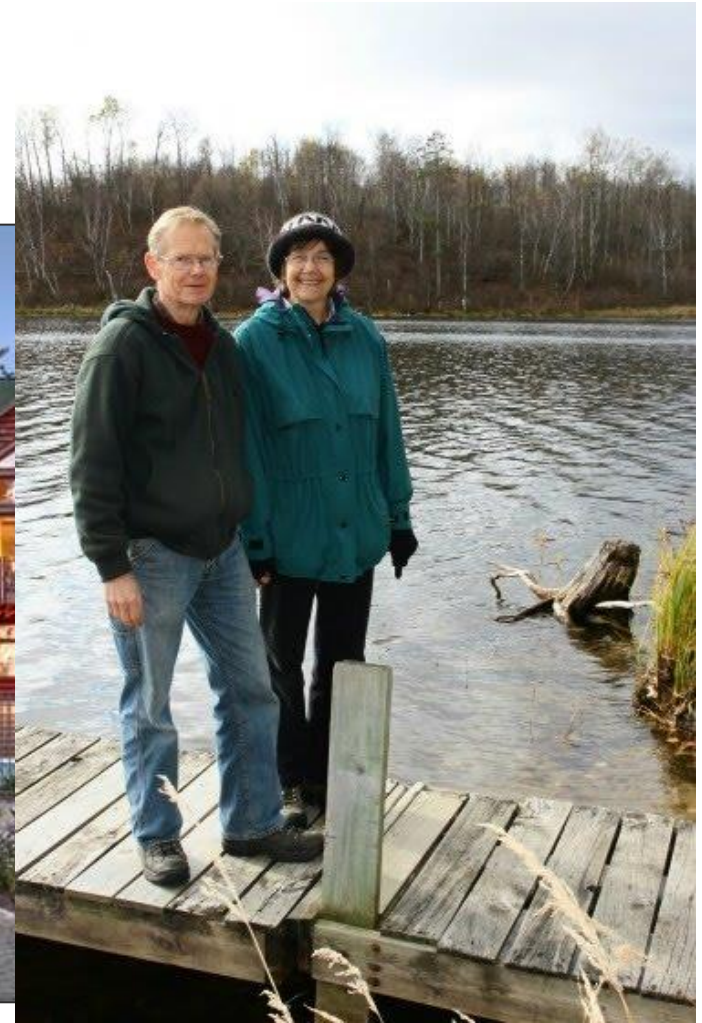
RYAN PESCH, UNIVERSITY OF MINNESOTA



The **EDACENTER**

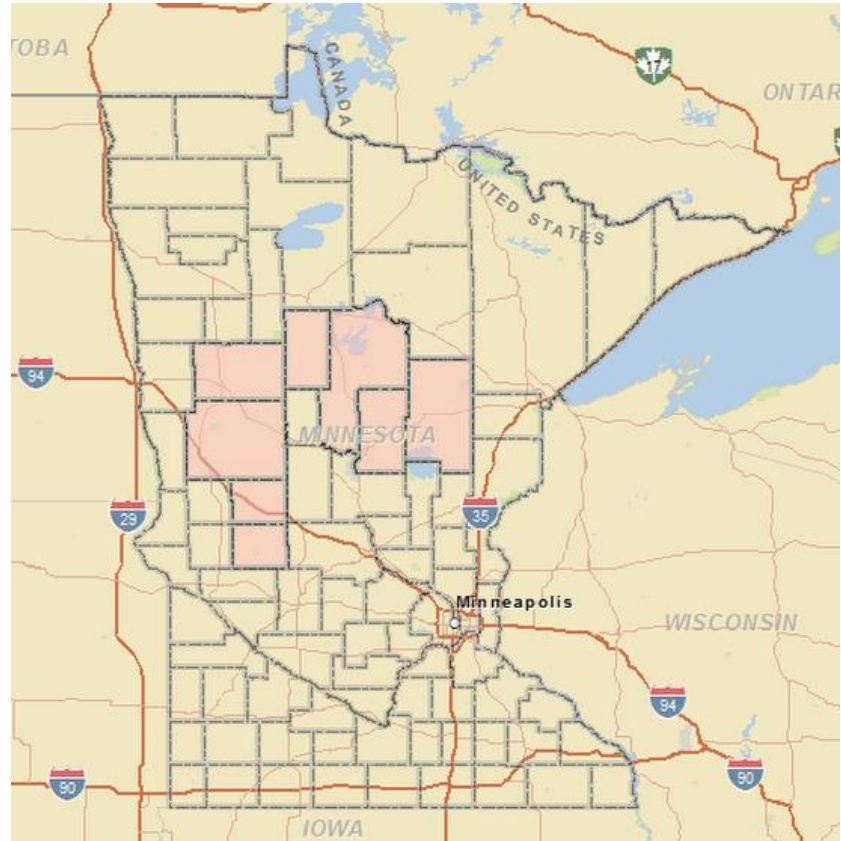
at the University of Minnesota, Crookston

SEASONAL RESIDENTS



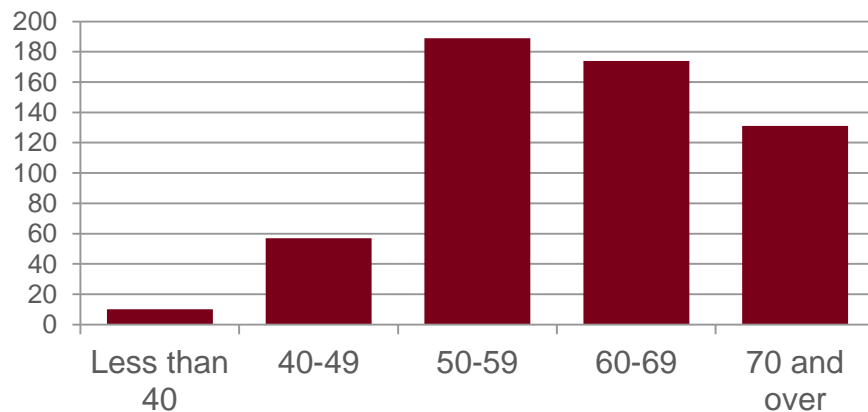
PROFILE SECOND HOMEOWNERS IN MINNESOTA'S LAKES DISTRICT

- Methods
 - Random sample of property tax records
 - Mailed survey (1,200)
 - \$5 incentive
 - 573 responses (48%)

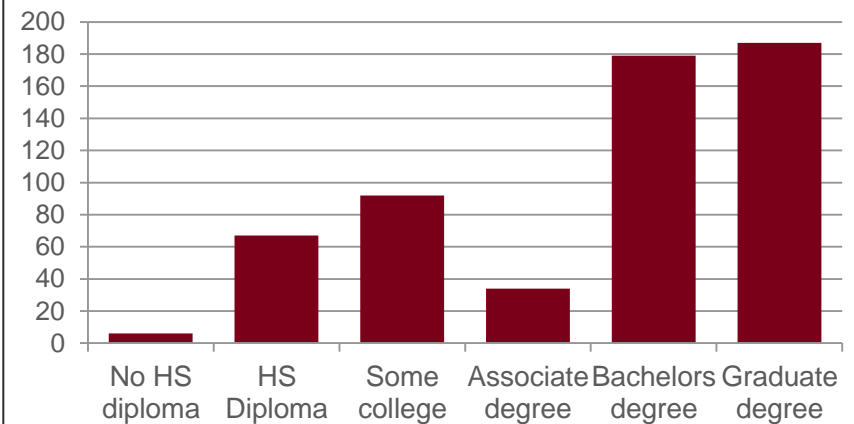


WHAT KIND OF PEOPLE OWN SECOND HOMES?

Respondents by Age Categories (n=561)

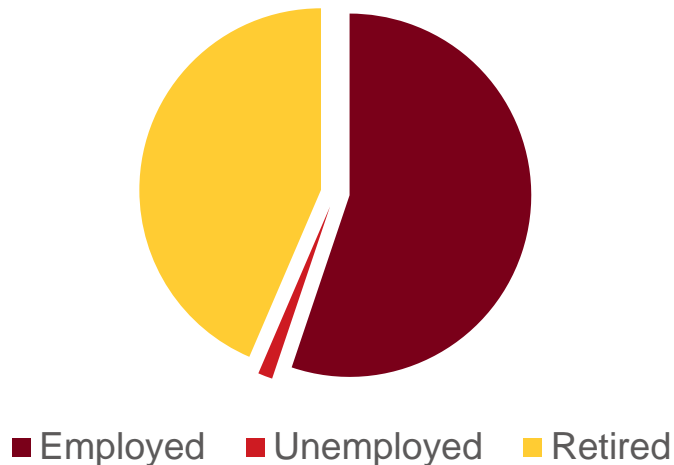


Respondents by Education (n=565)

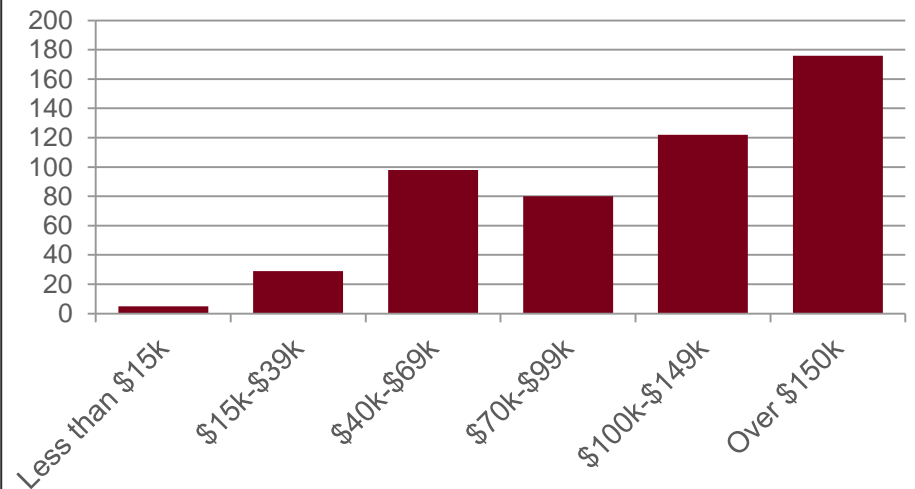


WHAT KIND OF PEOPLE OWN SECOND HOMES?

Respondents by Employment Status (n=549)



Respondents by HH Income (n=510)

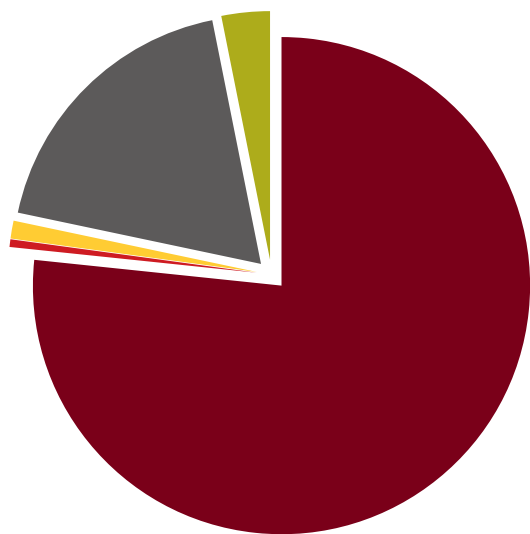


53% of respondents have owned, operated, or played a significant management role in a business



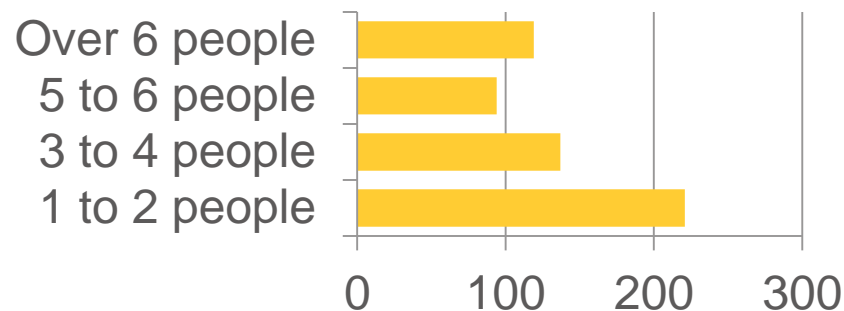
SECOND HOME USE

What is the current use of your property?
(n=570)



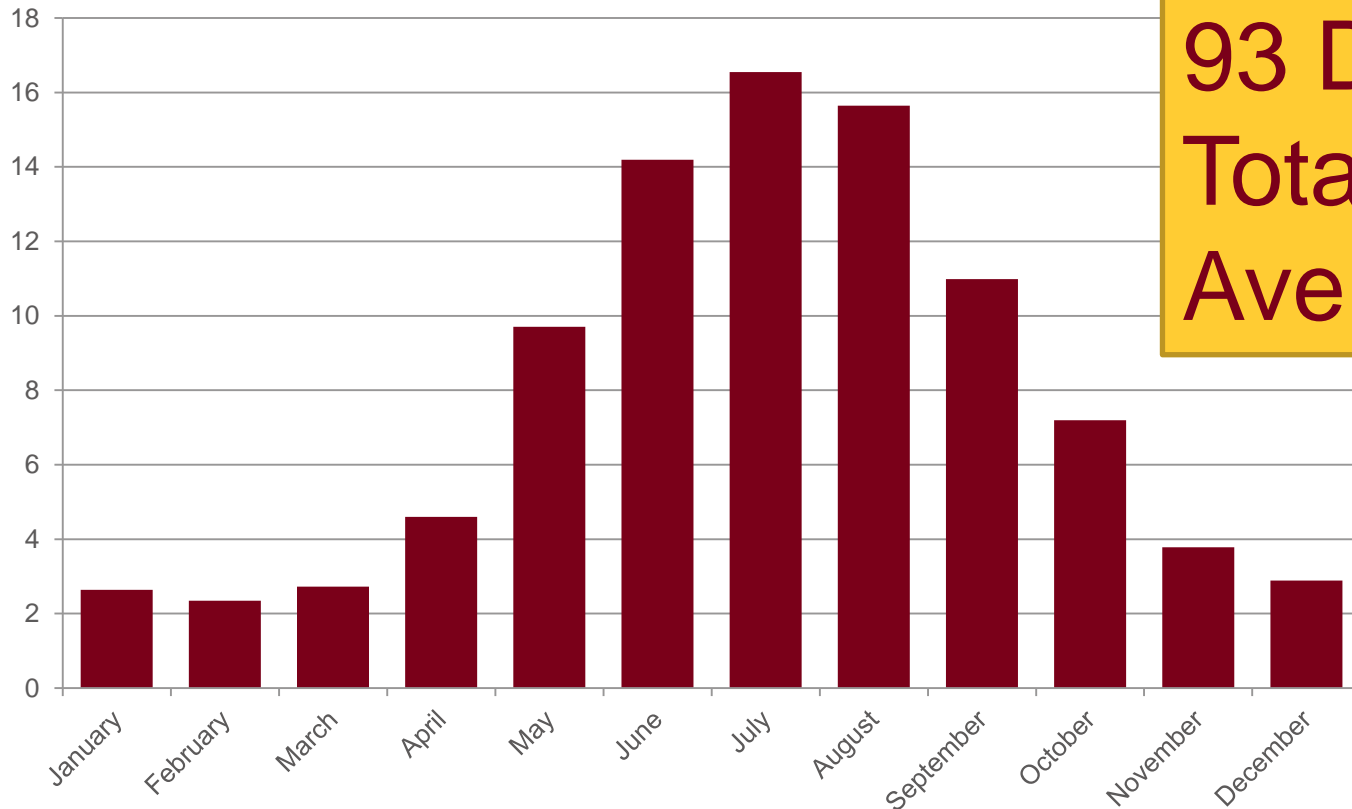
- Owner Occupied
- Fulltime rental
- Parttime rental
- Shared
- Other

How many typically
occupy when in use?
(n=517)



SECOND HOME USE

Average Days per Month

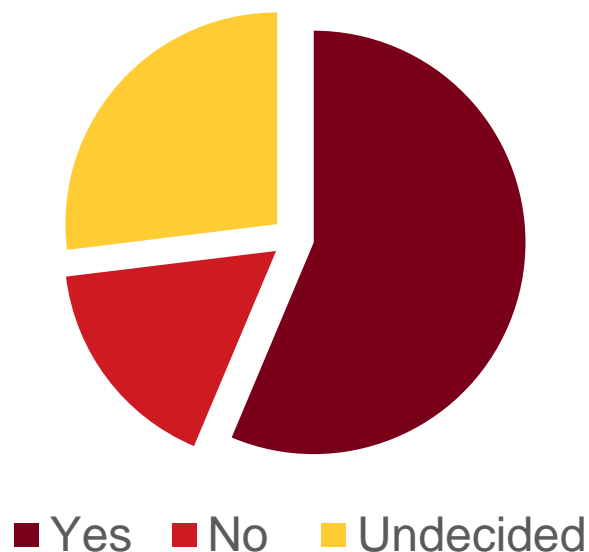


93 Days
Total on
Average

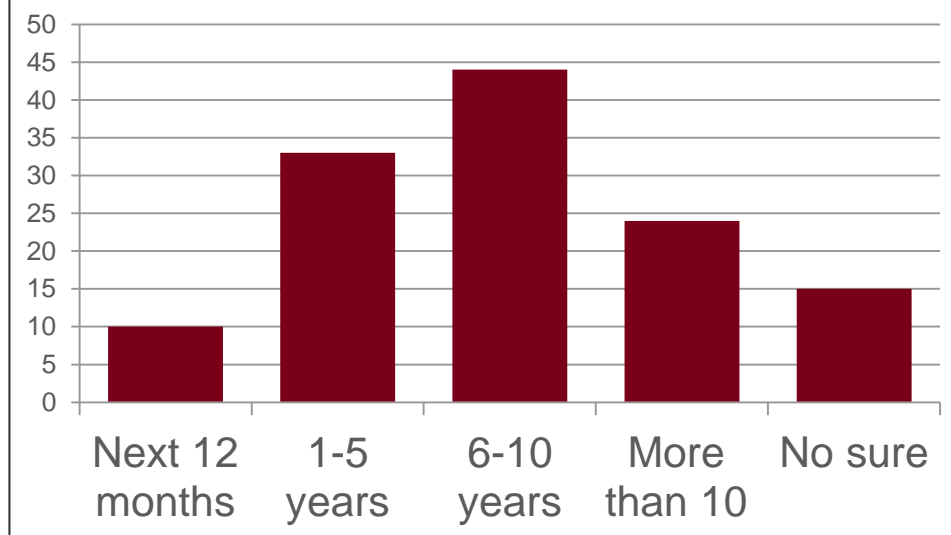


FUTURE PLANS

Do you plan to move permanently to second home? (n=569)



If yes, when?

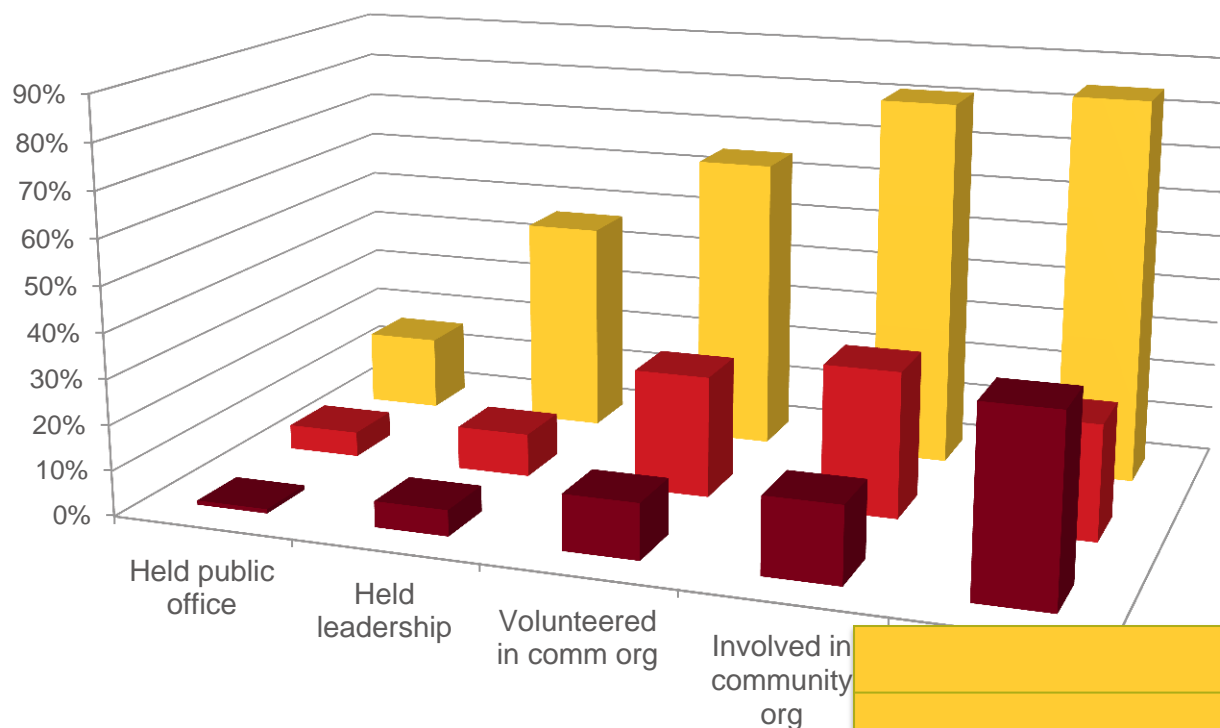


SEASONAL RESIDENT SPENDING

Spending category	Median	Average	Annual Spending based on Average	Percentage of HH Spending in Second-home community
<i>Grocery/Liquor</i>	\$ 64	\$ 120	\$ 1,434	89%
<i>Dining/Bars</i>	\$ 40	\$ 74	\$ 882	85%
<i>Gas/Auto service</i>	\$ 50	\$ 74	\$ 889	84%
<i>Pharmacy</i>	\$ -	\$ 11	\$ 132	18%
<i>Home maintenance</i>	\$ 50	\$ 95	\$ 1,139	81%
<i>Entertainment/Rec</i>	\$ 34	\$ 75	\$ 897	81%
<i>Building/Remodeling</i>	\$ 400	\$ 1,066	\$ 12,794	59%
			\$ 18,167	

COMMUNITY CONNECTIONS

Community Connection by Residence (n=522)



■ In 2nd home ■ Would consider

	Agree	Disagree
Attached to second-home property	88%	8%
Attached to second-home community	56%	27%





Thanks

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MN Housing Community Dialogue

MMCDC- Britton Ramsey



Gaps and Challenges

- Affordability Gap
 - New construction for both single and multi family
 - Survey results from employees (target market) for how much they can afford for housing
 - Inventory of existing homes on the market

Household size	Hourly Rate	Annual income	Monthly Payment	Home Price	# of homes available
1	\$9.25	\$19,240	\$465 PITI	\$59,000	1
2	\$10.00	\$41,600	\$1005 PITI	\$162,000	16

- 30 year loan, 4.25%, est tax and ins
- 1+ bed, 1+ bath, 20 miles of DL

Affordable Housing?

In researching the desired amount of housing expense, the best option for new housing is with manufactured housing.

Currently exploring designs, land, layouts and financing options.

Next step is seeing if desirable to target market.

Barriers:

- No secondary market to purchase loans
- Financing affects the affordability
- Need to share the risk
 - Possible creation of participated revolving loan pool between employers, cities, lenders, non-profits?
 - RD can guarantee loans if requirements are met

Down Payment Assistance

Created to help bridge the affordability gap.

MMCDC administers for Becker County and Detroit Lakes area employers.

Income restrictions to qualify are 80% AMI.

- Employers give set amount based on their own terms
- MMCDC matches amount and term and services loan (with grant from FHLB)
- GMHF contributes to pool with a grant
- Becker county gives \$500 tax abatement
- City of Detroit Lakes gives \$500 grant
- City of Frazee give \$500 forgivable loan
- City of Lake Park & Audubon give \$500 tax abatements

Acquisition/ Rehab Loans

Acquisition- 100% LTV purchase loan

- \$120,000 max
- 43% DTI
- 680 credit score
- List of eligible improvements
- Income restricted to 80% AMI
- No mortgage insurance
- 12 month balloon
- Becker and Otter Tail counties

Rehab- No LTV 2nd mortgage

- \$40,000 max
- 43% DTI
- 680 credit score
- List of eligible improvements
- Income restricted to 80% AMI
- 30 year term, fixed rate
- Becker and Otter Tail counties

Other lending products to fill gaps

Long Bridge Heights Incentive

- \$15,000 2nd mortgage at 0% for 30 years
 - \$5,000 forgivable after 5 years
- Remaining balance of home financed at 3.9% for 30 years
- No mortgage insurance, no specials
- Only good for remaining lots in Phase 2 of this development (Detroit Lakes)
- Income restrictions 115% HUD median
- Makes a \$200,000 home = \$1072/mth PITI

Expanded DTI for recent graduates

- Omit DTI requirements
- Allowable PITI is based on 90% of rent payments
- Verify rent on time and have 12 month history
- Standard underwriting criteria
- All non student loan debt below 43% DTI
- Income restricted to 80% AMI

**For more
information:**

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